

EXCERPTED FROM

December 2014

Charity Finance

civilsociety.co.uk

The voice of civil society



Game-changer

Will social investment revolutionise
charity funding?

Double standards

The new Sorps are published, but the uncertain future of the FRSSE is creating confusion for many charities over which one to use, finds Diane Sim.

Charity Audit Survey 2014

LAST YEAR'S flurry of mergers between mid-tier audit firms has been followed by a period of relative calm and stability, as auditors consolidate their new positions in the competitive landscape and focus on business as usual.

And that is just as well, given the challenging year that many of them will face in helping their charity clients adopt the new Sorps, which will take effect from accounting periods beginning on or after 1 January 2015.

The long-awaited clarity over the future of charity accounting, which was introduced by the July publication of the new Sorps – one for large charities based on FRS 102 and one for smaller charities based on the FRSSE, the financial reporting standard for smaller entities – has been short-lived.

Recent proposals from the Financial Reporting Council (FRC) to replace the FRSSE, on which the FRSSE Sorp is based, with a new section of FRS 102 for smaller entities intended to take effect from accounting periods beginning on or after 1 January 2016, have muddied the waters.

Charities eligible to use the FRSSE Sorp need to decide whether they bite the bullet now and adopt the FRS 102 Sorp or whether they adopt the FRSSE Sorp now, only to find they have to change again the following year. And with the need to provide comparative data for the previous year, an early decision is clearly desirable.

Charity auditors

Figure 1 opposite ranks audit firms by the audit fees of their charity clients. The data is derived primarily from the 1,091 charities that participated in *Charity Finance's* 22nd annual survey of the charity audit market and related reporting issues.

“ How to adopt the new Sorps is a dominant theme of discussion with auditors ”

The survey data is supplemented by audit data from the top 350 UK charities based on income, which *Charity Finance* routinely tracks for the purposes of compiling the Charity 100 and Charity 250 Indexes. This results in coverage of 1,361 charities, which collectively have annual income of £24.2bn and generate fees of £25.8m.

Coverage of the larger UK charities is therefore pretty comprehensive, while coverage of charities with annual income of less than £16.8m – the cut-off point for membership of the Charity 250 Index – is reasonably representative.

Charities with annual income of over £10m represent 34 per cent of all audit clients listed in Figure 1, while the remainder is split between charities in the £5m-£10m income bracket (11 per cent), charities in the £1m-£5m income bracket (26 per cent) and charities with income of below £1m (29 per cent).

Crowe Clark Whitehill (CCW) tops the league table for the sixth year running with audit fees of £3.9m from 124 charity clients, which collectively report annual income of £3.9bn. It is followed by PricewaterhouseCoopers (PwC) with audit fees of £3.1m from 41 charity clients, which together generate total income of £4.5bn.

CCW and PwC have occupied the same top two positions in each of the last six years. Together they account for 26.9 per cent of charity audit fees included in figure 1. Their combined share, which peaked at 28.5 per cent in 2011, has remained pretty steady over the last three years and has been comfortably above 25 per cent over the last five years.

Stable rankings

Compared to last year, when merger and acquisition (M&A) activity among the mid-tier audit firms shuffled the pack, this year's ranking – in the top half at least – has remained pretty stable.

BDO, which last year acquired PKF; along with Baker Tilly, which acquired the operating companies of RSM Tenon Group; and MHA MacIntyre Hudson, which acquired Kent-based accountancy firm Larkings, each moved up three places in last year's ranking as a result of these deals.

This year, they have largely retained their improved positions, though BDO has slipped just one place into fourth position, displaced by haysmacintyre, which moves from fifth to third position.

Similarly the concentration of the top six players – including the enlarged BDO and Baker Tilly – increased last year to 54 per cent from 52 per cent, and has inched up slightly this year to 55 per cent.

The pace of M&A, which featured prominently in last year's charity

figure 1: Top 40 audit firms ranked by audit fees

	Audit firm (2013 rank in brackets)	Audit fees (inc VAT) £	Income of audit clients £	No. of clients
1	Crowe Clark Whitehill (1)	3,877,413	3,872,225,091	124
2	PricewaterhouseCoopers (2)	3,057,255	4,476,042,226	47
3	haysmacintyre (5)	2,155,621	1,307,982,598	127
4	BDO (3)	1,820,540	2,048,794,687	53
5	Grant Thornton (4)	1,771,724	2,207,406,448	30
6	Baker Tilly (6)	1,481,585	1,349,616,483	56
7	Deloitte (10)	1,292,590	1,640,563,959	26
8	KPMG (7)	1,252,388	1,382,941,000	24
9	Kingston Smith (9)	942,335	691,017,353	53
10	Public audit bodies (11)	890,451	972,085,000	14
11	Sayer Vincent (8)	649,657	429,815,684	43
12	Buzzacott (15)	511,720	309,747,378	17
13	MHA MacIntyre Hudson (13)	474,990	185,644,583	68
14	HW Fisher (14)	465,740	185,874,635	65
15	Chantrey Vellacott (17)	451,748	240,470,174	43
16	Mazars (12)	373,324	211,009,754	18
17	Barber Harrison & Platt (22)	265,192	246,716,064	35
18	PKF Littlejohn (18)	260,154	111,492,735	15
19	Knox Cropper (20)	187,563	220,179,069	4
20	Wilkins Kennedy (-)	159,418	42,631,736	20
21	Peters Elworthy & Moore (30)	144,894	44,132,107	22
22	Ernst & Young (31)	137,400	121,096,259	6
23	James Cowper (32)	129,025	52,807,939	19
24	Broomfield & Alexander (37)	127,924	52,019,621	23
25	Henderson Loggie (27)	125,000	145,338,000	5
26	Lovewell Blake (25)	120,541	56,739,075	26
27	Tait Walker (-)	111,611	34,034,445	20
28	Russell New (26)	109,854	34,710,220	18
29	Saffery Champness (21)	100,249	110,073,320	6
30	Scott-Moncrieff (16)	100,081	81,010,880	9
31	Monahans (-)	97,900	39,531,765	16
32	Price Bailey (24)	96,284	21,734,216	11
33	Larking Gowen (23)	95,315	44,194,343	19
34	Critchleys (19)	85,550	81,545,710	7
35	Clark Brownscombe (35)	83,751	43,679,823	18
36	Clement Keys (-)	82,100	45,850,000	2
37	Griffin Stone Moscrop (39)	77,588	15,024,255	13
38	Godfrey Wilson (-)	75,792	12,825,716	30
39	Francis Clark (33)	67,000	47,585,000	2
40	Beever and Struthers (-)	62,080	49,634,727	3
	Other firms	1,452,187	941,505,500	204
	Total	25,823,534	24,207,329,578	1,361

audit survey, has undoubtedly slowed down, although almost 30 per cent of charities surveyed this year expect the trend towards greater consolidation of audit firms to continue.

Around 15 per cent of the charities surveyed this year use an audit firm that has been involved in a merger or acquisition in the last three years. Their responses to the question about how the transaction has affected the services they receive are remarkably positive.

Just a handful cite negative effects, such as increased fees, impersonal service, transitional practices and reduced choice in the marketplace generally, with many more citing positive factors such as improved access to a wider range of services, expertise and geographical coverage.

The vast majority of charities served by a firm that has recently been involved in an M&A transaction say that the service they receive has been unaffected, although this does rely on continuity of the partner and audit team.

The 'big four'

The 'big four' accountancy firms – namely Deloitte, Ernst and Young, KPMG and PricewaterhouseCoopers (PwC) – have a significant presence in the charity audit market, accounting for just over 22 per cent of audit fees listed in figure 1.

That said, their presence is unevenly spread, with PwC enjoying a leadership position with a 12 per cent share; Deloitte and KPMG in the top ten, each with a 5 per cent share; and Ernst and Young just outside the top 20 with a 0.5 per cent share.

There are, however, senior personnel changes at two of the 'big four' firms, following the move of Liz Hazell, former PwC head of charities, to Saffery Champness

earlier this year and the move this month of Nicola May, former KPMG head of charities to Crowe Clark Whitehill.

Replacing Hazell at PwC is director and head of charities Ian Oakley-Smith, who since April has had overall responsibility for the firm's services encompassing audit, assurance, tax and advisory work. The lead contact specifically for PwC audit work in the charity sector is director Jill Halford.

At the time of going to press, KPMG could not confirm arrangements for the replacement of Nicola May.

With the importance placed by charities on an understanding of their own particular charity and the continuity of the audit team, both firms will be aiming to manage the transition with minimum disruption to the client base.

A cautionary tale of recent memory is provided by Pesh Framjee's 2008 move to Crowe Clark Whitehill from Deloitte, which lost its top spot in *Charity Finance's* charity audit league table the following year.

Not all about Sorp

Preparations for the adoption of the new Sorps have clearly been a

dominant theme of the discussions between charities and their auditors this year. There have, however, been other issues and requirements that are not directly Sorp-related.

The operating environment is still very challenging for charities, particularly those that are heavily reliant on state-funded grants or contracts. "The key audit issue of going-concern continues to be relevant to those in receipt of non-recurring or annualised grant funding agreements," says Richard Weaver, who heads up the charity and not-for-profit unit at haysmacintyre.

For charities that are heavily dependent on this type of funding, delays in the decision-making process and the increasing trend towards payment by results introduces uncertainty over funding streams. This makes it difficult for trustees to conclude with certainty that, one year from signing off the accounts, the charity will still be in existence.

Indeed, there are a whole clutch of issues facing charities that follow the shift from grants to contracts. A particular problem, highlighted by Nick Brooks, who heads up the not-

figure 2: Number of years with auditor (percentage of respondents)

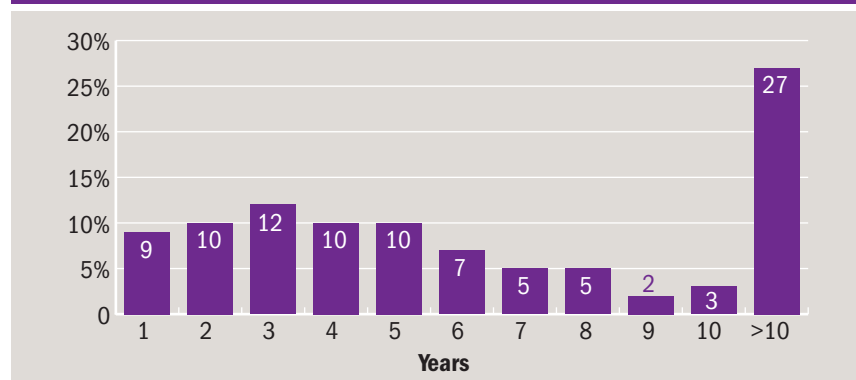


figure 3: Audit fees by charity income band

Income band (£m)	No. of charities	Highest fee £	Lowest fee £	Median fee				1-year change %	3-year change %	5-year change %
				This year	Last year	2011	2009			
< 0.1	66	11,500	350	1,650	1,428	1,746	877	16	-5	88
0.1 - 0.25	73	10,605	100	2,466	2,300	1,763	2,437	7	40	1
0.25 - 0.5	102	10,020	431	3,441	3,720	4,000	4,000	-8	-14	-14
0.5 - 1	155	13,172	840	5,419	6,000	5,000	5,750	-10	8	-6
1 - 2	158	18,000	2,000	7,225	7,905	7,440	7,500	-9	-3	-4
2 - 5	195	31,000	3,000	10,440	10,800	9,792	9,150	-3	7	14
5 - 10	150	62,000	3,300	13,820	13,000	12,660	14,000	6	9	-1
10 - 25	217	61,000	4,125	20,000	19,000	20,000	21,000	5	0	-5
25 - 50	136	138,000	5,400	34,000	34,000	34,000	33,250	0	0	2
50 - 75	44	154,000	13,000	44,000	41,000	42,000	39,500	7	5	11
75 - 100	23	115,000	16,000	46,000	52,500	62,500	52,500	-12	-26	-12
>100	42	400,000	49,000	102,500	98,000	87,000	80,000	5	18	28

Applying the new Sorps

The main issue keeping charities and their auditors busy over the last year – and most likely the next – is the adoption of the new charity Sorps.

Many auditors – particularly those with large charity clients who will need to adopt the FRS 102 Sorp – believe that the long lead time and consultation process have effectively flagged the issues and given charities time to prepare and adapt to the changes required.

Complicating factor

For charities eligible to apply the FRSSE Sorp, the situation is complicated by the fact that the Financial Reporting Council (FRC) is proposing to withdraw the FRSSE and replace it with a new section (designated section 1A) of FRS 102, designed for smaller entities.

“The idea is for all entities to apply the measurement and recognition principles of FRS 102 but for small entities to have a number of exemptions from disclosures, including primary statements other than the statement of financial activities and balance sheet, such as the cashflow statement,” says MHA MacIntyre Hudson charities technical partner Simon Erskine.

“Judging by the extent of disclosure exemptions in FRSSE, for example in terms of defined benefit pension schemes, the new section 1A is likely to offer a significant reduction in disclosures,” he adds.

The final form of section 1A, which is unlikely to be known before summer 2015, will take effect for accounting periods beginning on or after January 2016.

The key issue facing smaller charities, essentially those with income less than £6.5m, is whether to apply

the FRSSE Sorp or the FRS 102 Sorp. Some argue that it makes more sense to go directly to the FRS 102 Sorp now; others argue that it is better to apply the FRSSE Sorp now and move once the anticipated disclosure exemptions are available.

The difficulties of anticipating the final form of section 1A and the lack of definitive guidance on the issue do not help. “The pressure from some commentators to go straight to the FRS 102 Sorp for all charities does not seem to be shared by the Charity Commission and this is causing some confusion,” comments Elliot Harris, senior charities partner at Chantrey Vellacott.

A related issue is the government’s recent proposal to increase the income threshold for small companies from £6.5m to £10.2m with a corresponding increase to the balance sheet threshold to £5.1m. If this comes into effect, “the increased small company threshold could potentially bring many new charities into the FRSSE – or ‘FRS 102-lite’ – regime,” says Erskine.

Where charities have a choice to make over which Sorp to follow in the first year, the decision will no doubt be influenced by factors that are specific to that charity. Those most likely to need advice are those whose income level is on, or approaching, the cusp of the income threshold between the two Sorps.

Due to the need to provide comparative figures for the previous year, the earlier the decision on the Sorp is taken, the easier its implementation is likely to be. Larger charities will effectively need to go back two years before the first balance sheet prepared under the new Sorp, in order to restate opening balances for the previous year.

for-profit group at Kingston Smith, is the trend towards payment in arrears, which has a negative impact on the charity’s cashflow and its reserves.

“Pre-2008, charity reserves were generally regarded as being too high; now it is more commonly accepted that they need to be high to ensure sustainability,” he says.

A related problem, highlighted by Pesh Framjee, who heads up the not-for-profit team at Crowe Clark Whitehill, is the high financing costs incurred by charities that pre-

fund work that is paid for in arrears.

“There are very few charities with deep enough pockets to be prime contractors for government contracts, and in the interests of securing cashflow many end up being sub-contractors of a prime contractor,” he comments.

Sudhir Singh, not-for-profit partner at MHA MacIntyre Hudson, notes the “difficulties that payment-by-results contracts can cause for income recognition, due to the lack of clarity over the definitions of results achieved”.

Fundraising charities that rely largely on voluntary income have their own problems, notes Reza Motazed, who heads up the charities and not-for-profit group at Deloitte. “The public still give very generously to one-off appeals such as for the Ebola crisis, but most fundraising charities are experiencing a fall-off in their regular donor base and recurrent income from direct debits. While there is no discernible fall-off in legacy income, this is a very unpredictable income stream,” he says. ▶

Reporting issues

A new reporting requirement introduced in October 2013, which affects large and medium-sized incorporated charities, is the preparation of a ‘strategic report’ as part of the annual report. The move, which is an amendment to the Companies Act 2006, is effective for financial years ending on or after 30 September 2013.

The requirement is not strictly new, as “charities were already providing a narrative disclosure on strategy in order to comply with the requirements of the 2005 Sorp,” says Nick Sladden, head of charities and social enterprises at Baker Tilly.

However, the information, which was previously provided as part of the ‘business review’ must now be presented as a clearly-delineated section within the trustees’ annual report and separately approved by the trustees, in their capacity as company directors.

Sladden describes the strategic report requirement as “a good example of legislation primarily designed for profit-making corporate entities adding a layer of unnecessary red tape to the charity sector”.

Another topical issue to emerge from this year’s survey is the demand from charity audit clients for more guidance on the accounting, tax and

legal treatment of social investment, both from the investor and investee perspective.

“The scope to decide how various forms of funding are treated, given the varying balance sheet consequences, requires clarification, as does the tax and accounting treatment of mixed-motive investment,” says Sayer Vincent partner Kate Sayer.

Several audit firms canvassed this year note increased risks – both at home and abroad – which impact directly on the charity audit function.

Jill Halford, director in PwC’s charity audit practice, notes the increased incidence of attempted fraud at large charities. This can range from stolen credit card details to sophisticated scams involving the substitution of bogus bank account details for legitimate bank details of suppliers for large capital projects.

Increased levels of conflict internationally, particularly in the Middle East, have meant that auditors need to be absolutely sure that charities dispensing aid in war zones are using neutral agencies as distribution partners, rather than organisations which the UK government has designated as terrorist organisations and therefore proscribed. This can add significant time and cost to the audit fee.

Non-audit services

As in previous years, the vast majority of audit firms surveyed have experienced steady demand for non-audit services from their charity clients.

“The main thrust of our non-audit work for charity clients over the last few years has been improving operational efficiency and effectiveness,” says Ian Oakley-Smith at PwC.

“In the face of increasing competition from the private sector ▶

figure 4: How was your auditor chosen? (percentage of respondents)

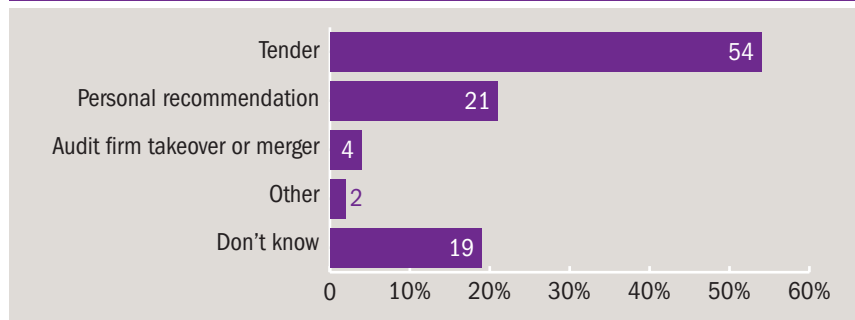


figure 5: What factors were important when choosing your auditor? (percentage of respondents)



figure 6: Do you have any of the following problems with your auditor?

Audit firm	No. of charities responding	No. of charities reporting problems	No. of problems reported	Poor understanding of own charity	Poor understanding of charity sector	Fees too high	Lack of technical competence	Staff changes	Slow to deliver	Poor liaison	Lack of access to partner	Other
Baker Tilly	36	11	17	2	1	4	0	5	3	2	0	0
Barber Harrison & Platt	35	6	7	0	0	2	0	3	1	0	0	1
BDO	24	8	13	0	0	4	1	5	1	1	0	1
Bevan & Buckland	5	0	0	0	0	0	0	0	0	0	0	0
Bishop Fleming	6	0	0	0	0	0	0	0	0	0	0	0
Broomfield & Alexander	23	2	2	0	0	2	0	0	0	0	0	0
Buzzacott	9	2	2	0	0	1	0	1	0	0	0	0
Chantrey Vellacott	42	13	27	1	1	6	4	9	3	3	0	0
Clark Brownscombe	17	1	1	0	0	0	0	0	0	0	1	0
Critchleys	6	2	3	0	0	1	0	0	0	0	2	0
Crowe Clark Whitehill	89	25	45	2	2	13	3	9	7	6	2	1
Deloitte	14	1	5	1	0	1	0	1	1	1	0	0
Fiander Tovell	8	0	0	0	0	0	0	0	0	0	0	0
Godfrey Wilson	30	2	5	0	1	1	0	2	0	0	1	0
Goldwins	14	0	0	0	0	0	0	0	0	0	0	0
Grant Thornton	11	3	5	0	0	1	0	1	1	1	0	1
Griffin Stone Moscrop	13	0	0	0	0	0	0	0	0	0	0	0
haysmacintyre	114	15	23	0	0	4	0	8	4	5	1	1
HW Fisher	65	10	15	1	0	3	0	6	2	1	0	2
James Cowper	19	1	1	0	0	0	0	0	1	0	0	0
Kingston Smith	43	4	8	1	0	3	0	2	1	1	0	0
KPMG	9	3	5	0	0	1	0	3	0	0	0	1
Larking Gowen	19	1	1	0	0	1	0	0	0	0	0	0
Lovewell Blake	26	2	2	0	0	1	0	1	0	0	0	0
Mazars	11	3	6	1	0	1	1	2	0	1	0	0
MHA MacIntyre Hudson	68	17	29	2	0	9	1	6	3	3	1	4
Monahans	15	0	0	0	0	0	0	0	0	0	0	0
Nexia Smith & Williamson	4	1	3	0	0	1	1	1	0	0	0	0
Peters Elworthy & Moore	22	2	2	0	0	2	0	0	0	0	0	0
PKF Littlejohn	15	0	0	0	0	0	0	0	0	0	0	0
Price Bailey	11	3	4	0	0	2	0	1	1	0	0	0
PricewaterhouseCoopers	11	5	12	2	0	1	2	3	2	1	1	0
Princercroft Willis	5	2	4	0	0	1	0	0	1	2	0	0
Reeves	12	2	3	0	0	2	0	0	0	0	0	1
Russell New	18	3	5	0	0	2	1	1	0	1	0	0
Sayer Vincent	36	7	14	1	0	3	1	2	1	2	1	3
Scott-Moncrieff	7	1	5	1	1	0	1	0	1	1	0	0
Slade & Cooper	9	3	4	0	0	2	0	0	2	0	0	0
Tait Walker	20	2	2	0	0	2	0	0	0	0	0	0
Wilkins Kennedy	20	0	0	0	0	0	0	0	0	0	0	0
Other firms	130	28	67	5	7	14	8	8	11	8	4	2
Total	1,091	191	347	20	13	91	24	80	47	40	14	18

for government contracts, many charities are beginning to realise that they are, by comparison, too tolerant of underperformance. We are seeing a culture change in the sector, with greater emphasis on the importance of controlling unit costs and the impact of that on beneficiaries,” he adds.

Sladden at Baker Tilly notes increased demand for tax-related advice.

Key areas include helping charities reclaim withholding tax on overseas investments; ensuring that loans made by charities to their trading subsidiaries are HMRC-approved, so that they can benefit from more favourable tax treatment; and ensuring gift aid compliance with mock gift aid audits.

James Davidson, partner in the charities team at Henderson Loggie concurs: “As austerity measures impact on funding and additional sources of income such as sponsorship are sought, taxation advice is needed to ensure that the correct structures, such as trading subsidiaries, are adopted to minimise or negate any direct tax impact.”

“ **Non-audit work has focused on improving operational effectiveness** ”

Weaver at haysmacintyre says that many more charity clients are seeking “IT-related risk reviews looking at IT security, web-based

activity and help ensuring compliance with data protection legislation”. While this is relevant to all charities, it is particularly an issue for fundraising charities, which have large databases of personal data.

Brooks at Kingston Smith, which has a specialist fundraising advisory service for audit and non-audit charity clients, also notes increased demand for advice on data protection. This has been spurred by the £200,000 fine handed out to the British Pregnancy Advisory Service (BPAS) earlier this year for failure to store sensitive information securely and for keeping personal data for longer than was necessary for its purpose.

IT advisory work for haysmacintyre clients is undertaken by a specialist IT consulting subsidiary set up by ▶



For greater stability and support in your audits here's a gentle push in our direction

At GSM we approach audits with a higher standard of care. From the thoroughness of our financial reporting to our renowned practical advice to help you balance compliance, sound stewardship, risk management and effective governance.

We maintain the highest accounting and auditing standards throughout and provide the value added services to guide you through the complex regulatory environment to ensure your fiscal fitness is retained.

And with a **33% discount** on our standing charging to charities, we couldn't be more charitable.

Contact us now to hear more.

GSM&Co
Griffin Stone Moscrop & Co
CHARTERED ACCOUNTANTS & REGISTERED AUDITORS
Together, we'll build better business

ETHICAL ACCOUNTANCY SERVICES

Doing the right thing since 1918

Griffin Stone Moscrop & Co • Email: rhill@gsmaccountants.co.uk • Tel: 020 7935 3793 • www.gsmaccountants.co.uk

figure 7: Satisfaction – how do you rate your auditor on the following? (percentage of respondents)

Audit firm	Total responses	Charity expertise			Commitment to the voluntary sector			Overall service		
		Good	Average	Poor	Good	Average	Poor	Good	Average	Poor
Baker Tilly	36	97	3	0	91	9	0	80	20	0
Barber Harrison & Platt	35	100	0	0	100	0	0	100	0	0
BDO	24	88	12	0	83	17	0	79	17	4
Bevan & Buckland	5	100	0	0	100	0	0	100	0	0
Bishop Fleming	6	100	0	0	83	17	0	100	0	0
Broomfield & Alexander	23	100	0	0	100	0	0	100	0	0
Buzzacott	9	100	0	0	100	0	0	100	0	0
Chantrey Vellacott	42	88	12	0	86	14	0	81	19	0
Clark Brownscombe	17	94	6	0	88	12	0	76	24	0
Critchleys	6	83	17	0	83	17	0	83	17	0
Crowe Clark Whitehill	89	99	1	0	99	1	0	94	6	0
Deloitte	14	77	23	0	77	23	0	85	15	0
Fiander Tovell	8	100	0	0	100	0	0	100	0	0
Godfrey Wilson	30	97	3	0	93	7	0	97	3	0
Goldwins	14	100	0	0	100	0	0	100	0	0
Grant Thornton	11	91	9	0	91	9	0	73	27	0
Griffin Stone Moscrop	13	92	8	0	92	8	0	85	15	0
haysmacintyre	114	98	2	0	98	2	0	95	5	0
HW Fisher	65	94	6	0	91	9	0	88	12	0
James Cowper	19	100	0	0	100	0	0	95	5	0
Kingston Smith	43	98	2	0	98	2	0	95	5	0
KPMG	9	78	22	0	67	22	11	78	11	11
Larking Gowen	19	100	0	0	95	5	0	95	5	0
Lovewell Blake	26	96	4	0	96	4	0	100	0	0
Mazars	11	91	9	0	91	9	0	91	0	9
MHA MacIntyre Hudson	68	95	4	1	91	9	0	91	9	0
Monahans	15	93	7	0	86	14	0	100	0	0
Nexia Smith & Williamson	4	100	0	0	100	0	0	75	25	0
Peters Elworthy & Moore	22	100	0	0	95	5	0	100	0	0
PKF Littlejohn	15	93	7	0	93	7	0	93	7	0
Price Bailey	11	91	9	0	91	9	0	82	18	0
PricewaterhouseCoopers	11	73	27	0	82	18	0	73	27	0
Princercroft Willis	5	80	20	0	100	0	0	40	60	0
Reeves	12	100	0	0	100	0	0	100	0	0
Russell New	18	94	6	0	94	6	0	94	0	6
Sayer Vincent	36	94	6	0	97	3	0	94	3	3
Scott-Moncrieff	7	86	14	0	86	14	0	86	14	0
Slade & Cooper	9	100	0	0	100	0	0	89	11	0
Tait Walker	20	100	0	0	100	0	0	100	0	0
Wilkins Kennedy	20	95	5	0	95	5	0	94	6	0
Other firms	130	71	26	3	67	29	3	74	21	5
Total	1,091	93	7	0	91	9	0	89	10	1

the firm two years ago, which is also advising an increasing number of charities on compliance with payment card industry rules.

Alongside traditional non-audit advisory services in areas such as VAT and gift aid compliance, charities principal at HW Fisher, Neal Gilmore, says that more charities need operational help in the finance function. The firm is increasingly “helping charities with outsourcing payroll and part, or all, of the bookkeeping function, advising on structuring accounting systems and making the most of

remote, cloud-based accounting solutions”, he says.

“Charities increasingly need operational and IT support in the finance function”

Framjee at Crowe Clark Whitehill reports increased demand for global assurance work from large international charities. With a network of almost 700 offices worldwide, CCW has built a strong position in the international arena

with over 60 international non-governmental organisations on its client list.

There is an increasing trend for audit firms to segment their charity client portfolio and develop services tailored to specific segments. This has always been the case with large audit firms, which segment their clients according to sector, geography and sundry other criteria, but the trend towards more customised services is increasingly being adopted by smaller firms.

Weaver at haysmacintyre observes: “We are developing increasing focus on individual subsectors of the charity sector to build on our knowledge and experience in key areas such as arts and culture, membership bodies, religious and faith-based clients, along with schools and education.

“Arts and culture charities, for example, have similar funding streams such as Arts Council funding, ticketing and merchandising income, and face common problems.

“A focus on particular needs adds value to the services we provide,” he says.

In part the move reflects M&A activity in the audit sector, which has created larger client portfolios, capable of supporting higher levels of segmentation and specialisation.

It also reflects the need for audit firms to provide practical advice on broader operational issues and add real value in an increasingly competitive marketplace. ■

Charity auditor awards 2014

With around 90 per cent rating as good the charity expertise, commitment to the voluntary sector and overall service levels provided by their auditors, the charities surveyed enjoy a high level of satisfaction with the audit services they receive.

Nonetheless we have tried to identify firms worthy of special mention based on the ratings they have received and the number of clients rating them, on the basis that the larger the sample gets, the harder it is to maintain a consistently high rating. For this reason, firms with fewer than ten clients rating them have been excluded from the rankings.

Overall service (30+ responses)

1	Barber Harrison & Platt
2	haysmacintyre
3	Kingston Smith
4	Crowe Clark Whitehill
5	Sayer Vincent

Charity expertise (30+ responses)

=1	Barber Harrison & Platt
=1	Crowe Clark Whitehill
=1	haysmacintyre
4	Kingston Smith
5	Baker Tilly

Overall service (10-30 responses)

1	Lovewell Blake
2	Broomfield & Alexander
3	Peters Elworthy & Moore
4	Tait Walker
5	Monahans

Charity expertise (10-30 responses)

=1	Broomfield & Alexander
=1	Peters Elworthy & Moore
=3	Tait Walker
=4	James Cowper
=4	Larking Gowen

Prize draw winner 2014

All charities responding to the survey in full were entered into a prize draw for a luxury Christmas hamper. Congratulations to Migena Kovaci, finance manager at Hope for Children, who is this year's winner.



Diane Sim is a research analyst at Charity Finance

When you're of strong **moral fibre**, shouldn't your accountant be bred from the same good stuff?



More than 65 Charity and NFP organisations get expert advice on their financial reporting and performance through our ethical accountancy services.

Isn't it time you did too?

GSM&Co

Griffin Stone Moscrop & Co

CHARTERED ACCOUNTANTS & REGISTERED AUDITORS

Together, we'll build better business

ETHICAL
ACCOUNTANCY
SERVICES

Doing the right thing
since 1918

Griffin Stone Moscrop & Co • Email: rhill@gsmaccountants.co.uk
Tel: 020 7935 3793 • www.gsmaccountants.co.uk